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POSTED
JAN 18 2003

January 7, 2003

HAND DELIVERED

Gary Walsh
Executive Director
South Carolina Public Service Commission
101 Executive Center Drive
Saluda Building
Columbia, SC 29210

S. C. PUBLIC SERVICE COMMISSION
RECEIVED
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UTILITIES DEPARTMENT

SC PUBLIC SERVICE
COMMISSION
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**Re: Application of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc., etc.
(SCPSC Docket No. 2000-366-A) (Fiscal Year 2002-2003)**

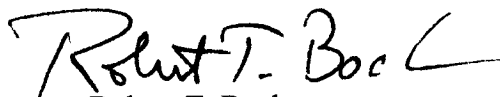
Dear Mr. Walsh:

Please find enclosed the original and 10 copies of the revised Exhibit D to the substitute Application of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc. Chem-Nuclear respectfully requests that you substitute the revised Exhibit D for the corresponding Exhibit D in the substitute Application. The revised Exhibit D incorporates some minor changes and clarifications to the text of the original Exhibit D.

By copy of this letter, I am providing a copy of the revised Exhibit D to each party of record in this proceeding. Please be advised that the staff of the South Carolina Budget and Control board ("the Board") has reviewed the revised Exhibit D and I am authorized to state that the Board has no objection to the revised Exhibit D.

I you have any questions with respect to this matter, please do not hesitate to contact me.

Very truly yours,


Robert T. Bockman

RTB:rmw

Enclosure

cc: All parties of record (w/enclosure)

ANDERSON • CHARLESTON • CHARLOTTE • COLUMBIA • GEORGETOWN • GREENVILLE • HILTON HEAD ISLAND • MYRTLE BEACH • RALEIGH

COLUMBIA 735296v1

EXHIBIT D-REVISED

**CHEM-NUCLEAR SYSTEMS EMPLOYEE RETENTION
COMPENSATION PLAN**

Background

Chem-Nuclear Systems operates a commercial low-level radioactive waste (LLRW) disposal site located in Barnwell, SC. In return for the safe and efficient disposal of LLRW, the disposal site earns revenue for the financial benefit of both Chem-Nuclear Systems and the State of South Carolina. This unique public-private partnership is governed by South Carolina law specified in the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act.

Objective

Chem-Nuclear believes that each employee has an ability and responsibility to impact the achievement of Company goals. Further, the company recognizes the unique situation of declining annual volumes imposed on Chem-Nuclear's disposal operations by state law. The Chem-Nuclear Systems Employee Retention Compensation Plan is designed to provide an opportunity for employees to receive additional compensation based on safe, compliant, and cost efficient operation of the disposal site and a commitment of an employee to continue his or her position with Chem-Nuclear. This plan aligns the employees' interests with those of Chem-Nuclear's shareholders and the disposal-related financial interests of the State of South Carolina.

Eligibility

All non-union employees of Chem-Nuclear Systems are eligible to participate in the Chem-Nuclear Systems Employee Retention Compensation Plan. To qualify for compensation from this plan, the employee must receive an overall performance evaluation of 2 or higher, not be on probation at the end of the plan year or time of award and must be employed by Chem-Nuclear at the time the payment is made. Employees hired during the Plan year will receive a pro-rata compensation based upon their length of service during the Plan year. Should participants be absent for a portion of the Plan year due to Leave of Absence or Long-Term Disability, those periods will be excluded and the compensation pro-rated.

Plan Year

Consistent with the State of South Carolina's Fiscal Year, the Plan Year will be July 1 – June 30, until otherwise modified.

Plan Design

The Chem-Nuclear Systems Employee Retention Compensation Plan is designed to retain qualified, experienced individuals and to encourage participants to contribute toward achievement of Chem-Nuclear Systems, and State of South Carolina performance goals and continued safe operation of the disposal site. Safety and Environmental Compliance and cost controls are key factors in the calculation of retention compensation

from this program. The compensation will be calculated as a percentage of the participant's base salary at the end of the Plan Year. Attachment A defines the measures that will be used to determine how much the retention compensation will be for each employee participating in the program. These measures will be approved each year by the South Carolina Budget and Control Board. Attachment A provides an example of the calculation. The plan will be communicated to each Chem-Nuclear Systems employee by a letter each year.

Retention Compensation Payment

Retention compensation payouts will be calculated as an amount up to 4% of the participant's base annual salary at the end of the Plan Year and based on the goals achieved. Fifty five percent (55%) of the payout will be paid to all eligible participants within 60 days following the close of the Plan Year. The remaining forty five percent (45%) will be held by the company for the employee and will be paid to the employee if the employee is terminated as a result of reduction-in-force, retirement, disability or death. Retention compensation will be paid through payroll and will be subject to all applicable taxes.

An amount equal to 0.33% ($1/12^{\text{th}}$ of 4%) of each eligible participant's base salary will be accrued as an expense each month and placed on the balance sheet. When the actual payout is made to employees each year, the balance sheet will be adjusted by that amount. The amounts to be paid out and retained each year will be calculated in a manner similar to that shown in Attachment A. Methods of accounting for this additional compensation expense are described in Attachment B.

Employment Termination

Participants who resign or are terminated for cause by the company during the Plan Year will not participate in any part of the retention compensation program for that year, and they will not receive any amounts of retention compensation, which might have been reserved for them from previous years employment. If the termination results from reduction-in-force, retirement, disability or death, the accumulated amount of retention compensation held for the participant and a pro-rata portion of the current year earned retention compensation will be paid at the same time it is paid to active employees. This pro-rata calculation will be based on the portion of the year that has elapsed at the date of termination.

Right to Modify Plan

Chem-Nuclear Systems may amend or terminate this Plan for any subsequent year upon approval from the State Budget and Control Board and the Public Service Commission, and prior notification to Chem-Nuclear employees. If the Plan is terminated, participants will be paid the accumulated amount of retention compensation held for them at the time of termination along with 100% of the earned amount for the fiscal year that was completed prior to the termination.

Attachment A
Chem-Nuclear Systems Employee Retention Compensation Plan

Example Calculation

| Goal (results of previous 12 months) | % of Total | % of Base Salary | Example \$30,000 Base Salary | Example 55% Payout | Example 45% Held for Employee |
|---|-------------------|-------------------------|-------------------------------------|---------------------------|--------------------------------------|
| A. No significant notices of violation (NOV) | 15% | 0.6% | \$180.00 | \$99.00 | \$81.00 |
| B. Number of OSHA recordable accidents: two or less | 10% | 0.4% | \$120.00 | \$66.00 | \$54.00 |
| C. Number of lost workday accidents: zero | 20% | 0.8% | \$240.00 | \$132.00 | \$108.00 |
| D. Individual employee performance rating: Rating of 2 equates to 2%; Rating of 3 equates to 8%; Rating of 4 or higher equates to 10%. | 10% | 0.4% | \$120.00 | \$66.00 | \$54.00 |
| E. Maximize Dollars earned for South Carolina during the fiscal year. See the attached table for specific payment schedule. | 40% | 1.6% | \$480.00 | \$264.00 | \$216.00 |
| F. Completion of B&CB authorized decommissioning activities within budget. Notel | 5% | 0.2% | \$60.00 | \$33.00 | \$27.00 |
| | 100% | 4.0% | \$1,200.00 | \$660.00 | \$540.00 |

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Note 1: In those years when no decommissioning activity is authorized, the percentage associated with Category F will be combined into Category E.

Attachment B Chem-Nuclear Systems Employee Retention Compensation Plan

Accounting Methods

An amount equal to 0.33% (1/12th of 4%) of each eligible participants base salary will be accrued as an expense each month and placed on the balance sheet. Sixty days following the close of the Plan Year the compensation amount will be calculated based on the goals achieved, and fifty-five percent (55%) of that amount paid to each eligible employee as an allowable cost. The balance sheet will be adjusted to reflect the actual amounts paid to eligible employees.

Forty five percent of the calculated compensation amount will be held on the balance sheet by the company for the employee and will be paid to the employee upon termination by reduction-in-force, retirement, disability or death. During each accounting period this 45% amount is held, it is counted as a non-allowable cost. When the 45% amount is paid to the employee, it becomes an allowable cost.

In the event that some amount will be neither paid out nor held based on not meeting goals in a Plan Year or premature departure of the employee, that amount becomes a credit to expense in the appropriate allowable/non-allowable category and the balance sheet will be adjusted accordingly.

Example:

1. Accrual (Allowable and Unallowable until payment)
2. Payout each year
3. Payout by termination
4. Reduction of accrual

| Retention Expense | Acct. 20508-0101 (Liab. BS) |
|--|---|
| <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> (1) 55% accrual (1) 45% accrual </div> <div style="width: 5%;"></div> <div style="width: 50%;"></div> </div> | <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"></div> <div style="width: 5%;"></div> <div style="width: 50%;"> (1) 55% (1) 45% </div> </div> |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"></div> <div style="width: 5%;"></div> <div style="width: 50%;"> (2) 55% payout (3) 45% payout (4) Reduction </div> </div> | <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"></div> <div style="width: 5%;"></div> <div style="width: 50%;"> (2) 55% payout (3) 45% payout (4) Reduction </div> </div> |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Cash </div> <div style="width: 5%;"></div> <div style="width: 50%;"> (2) 55% payout each Plan Yr (3) 45% payout at termination </div> </div> | |

CHEM-NUCLEAR SYSTEMS KEY MANAGER RETENTION COMPENSATION PLAN

Background

Chem-Nuclear Systems operates a commercial low-level radioactive waste (LLRW) disposal site located in Barnwell, SC. In return for the safe and efficient disposal of LLRW, the disposal site earns revenue for the financial benefit of both Chem-Nuclear Systems and the State of South Carolina. This unique public-private partnership is governed by South Carolina law specified in the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act.

Objective

Chem-Nuclear believes that certain key managers have an ability and responsibility to significantly impact the achievement of Company goals. Further, the company recognizes the unique situation of declining annual volumes imposed on Chem-Nuclear's disposal operations by state law. The Chem-Nuclear Systems Key Manager Retention Compensation Plan is designed to provide an opportunity for the key managers to receive additional compensation based on safe, compliant, and cost efficient operation of the disposal site and a commitment from those managers to continue their position with Chem-Nuclear. This plan aligns the management team's interests with those of Chem-Nuclear's shareholders and the disposal-related financial interests of the State of South Carolina.

Eligibility

The Chem-Nuclear Systems Key Managers specified on page two are eligible to participate in the Chem-Nuclear Systems Key Manager Retention Compensation Plan. To qualify for compensation from this plan, the manager must receive an overall performance evaluation of 2 or higher, not be on probation at the end of the plan year or time of award and must be employed by Chem-Nuclear at the time the payment is made. Managers hired during the Plan year will receive a pro-rata compensation based upon their length of service during the Plan year. Should participants be absent for a portion of the Plan year due to Leave of Absence or Long-Term Disability, those periods will be excluded and the compensation pro-rated.

Plan Year

Consistent with the State of South Carolina's Fiscal Year, the Plan Year will be July 1 – June 30, until otherwise modified.

Plan Design

The Chem-Nuclear Systems Key Manager Retention Compensation Plan is designed to retain qualified, experienced individuals and to encourage participants to contribute toward achievement of Chem-Nuclear Systems, and State of South Carolina performance goals and continued safe operation of the disposal site. Safety and Environmental Compliance and cost controls are key factors in the calculation of retention compensation from this program. The compensation will be calculated as a percentage of the participant's base salary at the end of the Plan Year. Attachment A defines the measures

that will be used to determine how much the retention compensation will be for each manager participating in the program. These measures will be approved each year by the South Carolina Budget and Control Board. Attachment A provides an example of the calculation. The plan will be communicated to each manager participating in the program each year.

Retention Compensation Payment

Retention compensation payouts will be calculated as a percentage of the participant's base annual salary at the end of the Plan Year in accordance with the following table and based on the goals achieved.

| POSITION TITLE | % OF BASE ANNUAL SALARY |
|--|-------------------------|
| Vice President Disposal Operations | 20 |
| Vice President ESHQA | 10 |
| Senior Manager, Environmental Programs | 10 |
| Senior Project Geotechnical Engineer | 8 |
| Controller | 8 |

Fifty five percent (55%) of the payout will be paid to all eligible participants within 60 days following the close of the Plan Year. The remaining forty five percent (45%) will be held by the company for the manager and will be paid to the manager if the manager is terminated as a result of reduction-in-force, retirement, disability or death. Retention compensation will be paid through payroll and will be subject to all applicable taxes.

An amount equal to $1/12^{\text{th}}$ of each eligible participant's base salary times the retention compensation payout percentage for that management position will be accrued as an expense each month and placed on the balance sheet. When the actual payout is made to managers each year, the balance sheet will be adjusted by that amount. The amounts to be paid out and retained each year will be calculated in a manner similar to that shown in Attachment A. Methods of accounting for this additional compensation expense are described in Attachment B.

Employment Termination

Participants who resign or are terminated for cause by the company during the Plan Year will not participate in any part of the retention compensation program for that year, and they will not receive any amounts of retention compensation, which might have been reserved for them from previous years employment. If the termination results from reduction-in-force, retirement, disability or death, the accumulated amount of retention compensation held for the participant and a pro-rata portion of the current year earned retention compensation will be paid at the same time it is paid to active employees. This pro-rata calculation will be based on the portion of the year that has elapsed at the date of termination.

Right to Modify Plan

Chem-Nuclear Systems may amend or terminate this Plan for any subsequent year upon approval from the State Budget and Control Board and the Public Service Commission,

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and prior notification to Chem-Nuclear Systems employees. If the Plan is terminated, participants will be paid the accumulated amount of retention compensation held for them at the time of termination along with 100% of the earned amount for the fiscal year that was completed prior to the termination.

Attachment A
Chem-Nuclear Systems Key Manager Retention Compensation Plan

Example Calculation

| Goal (results of previous 12 months) | % of Total | % of Base Salary | Example \$75,000 Base Salary | Example 55% Payout | Example 45% Held for Employee |
|---|-------------------|-------------------------|-------------------------------------|---------------------------|--------------------------------------|
| A. No significant notices of violation (NOV) | 15% | 1.5% | \$1,125.00 | \$618.75 | \$506.25 |
| B. Number of OSHA recordable accidents: two or less | 10% | 1.0% | \$750.00 | \$412.50 | \$337.50 |
| C. Number of lost workday accidents: zero | 20% | 2.0% | \$1,500.00 | \$825.00 | \$675.00 |
| D. Individual employee performance rating: Rating of 2 equates to 3%; Rating of 3 equates to 8%; Rating of 4 or higher equates to 10%. | 10% | 1.0% | \$750.00 | \$412.50 | \$337.50 |
| E. Maximize dollars earned for South Carolina during the fiscal year. See the attached table for specific payment schedule. | 40% | 4.0% | \$3,000.00 | \$1,650.00 | \$1,350.00 |
| F. Completion of B&CB authorized decommissioning activities within budget.¹ | 5% | 0.5% | \$375.00 | \$206.25 | \$168.75 |
| | 100% | 10.0% | \$7,500.00 | \$4,125.00 | \$3,375.00 |

Note 1: In those years when no decommissioning activity is authorized, the percentage associated with Category F will be combined into Category E.

Attachment B Chem-Nuclear Systems Key Manager Retention Compensation Plan

Accounting Methods

An amount equal to 1/12th of each eligible participant's base salary times the retention compensation payout percentage for that management position will be accrued as an expense each month and placed on the balance sheet. Sixty days following the close of the Plan Year the compensation amount will be calculated based on the goals achieved, and fifty-five percent (55%) of that amount paid to each eligible employee as an allowable cost. The balance sheet will be adjusted to reflect the actual amount paid to eligible employees.

Forty five percent of the calculated compensation amount will be held on the balance sheet by the company for the employee and will be paid to the employee upon termination by reduction-in-force, retirement, disability or death. During each accounting period this 45% amount is held, it is counted as a non-allowable cost. When the 45% amount is paid to the employee, it becomes an allowable cost.

In the event that some amount will be neither paid out nor held based on not meeting goals in a Plan Year or premature departure of the employee, that amount becomes a credit to expense in the appropriate allowable/non-allowable category. The balance sheet will be adjusted accordingly.

Example:

1. Accrual (Allowable and Unallowable until payment)
2. Payout each year
3. Payout by termination
4. Reduction of accrual

| Retention Expense | Acct. 20508-0101 (Liab. BS) |
|--|--|
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| <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Cash </div> <div style="width: 5%; text-align: center;"> </div> <div style="width: 50%;"> (2) 55% payout each Plan Yr (3) 45% payout at termination </div> </div> | |

Projections of percent retention compensation earned based on
dollars for South Carolina in remaining fiscal years

| | FY02/03 | FY03/04 | FY04/05 | FY05/06 | FY06/07 | FY07/08 |
|----------------------|-----------------------|---------|---------|---------|---------|---------|
| Site cap | 70,000 | 60,000 | 50,000 | 45,000 | 40,000 | 35,000 |
| \$ for S.C.** | Percent Earned | | | | | |
| \$10,700,000 | | | | | | 3 |
| \$10,900,000 | | | | | | 6 |
| \$11,100,000 | | | | | | 9 |
| \$11,300,000 | | | | | | 12 |
| \$11,500,000 | | | | | | 15 |
| \$11,700,000 | | | | | | 18 |
| \$11,900,000 | | | | | | 21 |
| \$12,100,000 | | | | | 3 | 24 |
| \$12,300,000 | | | | | 6 | 27 |
| \$12,500,000 | | | | | 9 | 30 |
| \$12,700,000 | | | | | 12 | 31 |
| \$12,900,000 | | | | | 15 | 32 |
| \$13,100,000 | | | | | 18 | 33 |
| \$13,300,000 | | | | 3 | 21 | 34 |
| \$13,500,000 | | | | 6 | 24 | 35 |
| \$13,700,000 | | | | 9 | 27 | 36 |
| \$13,900,000 | | | | 12 | 30 | 37 |
| \$14,100,000 | | | | 15 | 31 | 38 |
| \$14,300,000 | | | | 18 | 32 | 39 |
| \$14,500,000 | | | 3 | 21 | 33 | 40 |
| \$14,700,000 | | | 6 | 24 | 34 | |
| \$14,900,000 | | | 9 | 27 | 35 | |
| \$15,100,000 | | | 12 | 30 | 36 | |
| \$15,300,000 | | | 15 | 31 | 37 | |
| \$15,500,000 | | | 18 | 32 | 38 | |
| \$15,700,000 | | | 21 | 33 | 39 | |
| \$15,900,000 | | | 24 | 34 | 40 | |
| \$16,100,000 | | | 27 | 35 | | |
| \$16,300,000 | | | 30 | 36 | | |
| \$16,500,000 | | | 31 | 37 | | |
| \$16,700,000 | | | 32 | 38 | | |
| \$16,900,000 | | | 33 | 39 | | |
| \$17,100,000 | | | 34 | 40 | | |
| \$17,300,000 | | 3 | 35 | | | |
| \$17,500,000 | | 6 | 36 | | | |
| \$17,700,000 | | 9 | 37 | | | |
| \$17,900,000 | | 12 | 38 | | | |
| \$18,100,000 | | 15 | 39 | | | |
| \$18,300,000 | | 18 | 40 | | | |
| \$18,500,000 | | 21 | | | | |
| \$18,700,000 | | 24 | | | | |
| \$18,900,000 | | 27 | | | | |
| \$19,100,000 | | 30 | | | | |
| \$19,300,000 | | 31 | | | | |
| \$19,500,000 | | 32 | | | | |
| \$19,700,000 | 3 | 33 | | | | |

| | | | | | | |
|--------------|----|----|--|--|--|--|
| \$19,900,000 | 6 | 34 | | | | |
| \$20,100,000 | 9 | 35 | | | | |
| \$20,300,000 | 12 | 36 | | | | |
| \$20,500,000 | 15 | 37 | | | | |
| \$20,700,000 | 18 | 38 | | | | |
| \$20,900,000 | 21 | 39 | | | | |
| \$21,100,000 | 24 | 40 | | | | |
| \$21,300,000 | 27 | | | | | |
| \$21,500,000 | 30 | | | | | |
| \$21,700,000 | 31 | | | | | |
| \$21,900,000 | 32 | | | | | |
| \$22,100,000 | 33 | | | | | |
| \$22,300,000 | 34 | | | | | |
| \$22,500,000 | 35 | | | | | |
| \$22,700,000 | 36 | | | | | |
| \$22,900,000 | 37 | | | | | |
| \$23,100,000 | 38 | | | | | |
| \$23,300,000 | 39 | | | | | |
| \$23,500,000 | 40 | | | | | |

*Deduct 90% of disposal fee received during fiscal year for any Reactor Pressure Vessels received

**\$ for S.C. is equal to net deposits into education accounts plus amount for Barnwell County and S.C. generator rebates based upon laws and agreements in place at the beginning of each fiscal year.

Shaded area contains preliminary estimates. Actual scale must be renegotiated each year if requested by Chem-Nuclear, the Public Service Commission or the Budget and Control Board.